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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002944

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TAGS: [PREL](#) [EFIN](#) [ECON](#) [KU](#) [IZ](#)

SUBJECT: FINANCE MINISTER JABR ON KUWAIT DEBT ISSUES: LET'S
FOCUS ON OUR FUTURE RELATIONSHIP

Classified By: EMIN Marc Wall, Reasons e.o. 12958 1.5 (b,d)

[11](#). (U) This is an action request, please see para seven.

[12](#). (C) SUMMARY: Iraqi Finance Minister Jabr told EMIN September 11 that "as a politician" he hoped that the Kuwaiti government would understand (and hear from the USG) that the future relationship between the people of Iraq and Kuwait is more important than the marginal dollars the Kuwaitis might extract from Iraq over debt, war reparations, and the Bombardier/Boeing airplane litigation. Jabr said that during his recent trip to Kuwait he and the GOI delegation worked out a deal on the Kuwait Air claim against Iraqi Air that led to a Canadian court freezing GOI assets in a Bombardier airplane purchase. The deal would offer the Kuwaitis \$500 million against their inflated (sic) claim of \$1.2 billion against Iraq Air, together with a partnership between the two airlines that would provide additional revenues to Kuwait Air. Jabr accepted this deal even though he fears that the figure of \$500 million is not politically sustainable in Iraq. Unfortunately, he said, the Kuwaitis immediately reneged even on that deal, and Jabr awaits a revised offer. Jabr believes that the GOK may be holding out to see whether the Canadian litigation develops in Kuwait's favor. A late call from his staff revealed that the Kuwaitis want \$500 million, but paid in full by January 7, 2009, impossible given Iraq's budget calendar. Jabr expressed his wish that USG interlocutors would impress on Kuwait the need to not/not treat every issue between Iraq and Kuwait as a matter for the souk. Instead they need to focus on developing positive relations between the Kuwaiti and Iraqi peoples, who are fated to live next to each other. End Summary.

[13](#). (C) EMIN met with Finance Minister Bayan Jabr September 11 to discuss Jabr's trip to Kuwait earlier this week. Jabr's purpose was to explore resolution of outstanding bilateral debt issues. Jabr opened the meeting with a long and at times emotional explanation of growing Kuwait claims against Iraq, which include a Kuwait Airways case against the GOI seeking \$1.2 billion in damages for four planes that Saddam Hussein removed from Kuwait during the occupation of Kuwait (and which were subsequently destroyed); \$8.2 billion in debt owed to the GOK and Kuwaiti state entities; and billions of dollars for damages and reparations from the 1990 invasion.

[14](#). (C) Jabr's talks in Kuwait, with the Minister of Transportation, "Deputy Foreign Minister" and an Ambassador charged with claims negotiations, focused solely on the aviation claims. (Note: these have taken on urgency due to a judgment in a London court putting the value of the Kuwait claim at \$1.2 billion, and a separate judgment late last month in a Quebec court granting Kuwait Air's request to freeze ten Bombardier jets being built for Iraqi Airways. End note.) Jabr described his success in the talks and the signature of an agreed conclusion with the Minister of Transportation. (Note: the Arab language text of the agreed conclusions makes no reference to a specific sum, rather it refers to "an amount to be determined through negotiations."

End note.) Jabr had initially offered to pay \$150 million to settle the claim, saying that this was the amount that Kuwait had initially asked the CPA to approve in 2003 in order to settle this claim. The Kuwaitis rejected this. An unnamed member of the Iraqi delegation -- acting without Jabr's approval -- then proposed \$450 million. In addition, the GOI offered to establish a partnership with Kuwait Air that would funnel passengers from Iraq Air to Kuwait Air for onward connections, increasing the latter's revenues. The Kuwaitis countered with a demand for \$500 million which Jabr accepted after consulting with PM Maliki.

¶5. (C) After his return to Baghdad, Jabr said the Kuwaitis began tacking on additional conditions. First was a bank guarantee, which Jabr reluctantly accepted. Then the Kuwaitis demanded that the full \$500 million be paid in two months. Jabr (and Deputy Prime Minister Barham Salih) said this is practically impossible. It would require a second supplemental budget request to the Council of Representatives, which would revolt. Jabr said he asked the Kuwaitis to "help us help you," by paying the \$500 million in ¶2009. Far better, Jabr said, would be to fold it into the "seven thousand lines of the FY 2009 budget" than to risk a "revolution in the COR." Now he had heard from his Kuwaiti interlocutors that the \$500 million-plus-airline-partnership deal is not acceptable, and, Jabr explained, he is expecting a second "agreed conclusion" of the conversation clarifying the Kuwaiti position. Jabr speculated that the GOK may up the ante and wait until the Canadian court rules on the Bombardier case. If the court rules in Iraq's favor, Jabr implied, he might call the deal off. (Note: in a late night

BAGHDAD 00002944 002 OF 002

call September 11, his senior advisor Dr. Azez told Treasury officer that the Kuwaitis have agreed to the \$500 million figure but insist that it be deposited in full in a "first tier" foreign bank by January 7, 2009. These conditions, Azez said, would be very hard to meet given Iraq's budget calendar and history of passing the budget law well after January 7. End note.)

¶6. (C) Jabr underscored that the Kuwaiti "toughness" on this had the potential to endanger other bilateral issues, such as border and oil field demarcation. Further, it would cause hard feelings among average Iraqis, who view Kuwait as a rich country and Iraq as a poor country after years of war, sanctions and Saddam era mismanagement. Asked how the USG could help, Jabr replied that he would prefer that the USG not engage on the specifics of the negotiation. Rather, "as a politician," he preferred that we impress on Kuwaitis the fact that Iraq and Kuwait are and will remain neighbors, with intertwined histories. He feared that Kuwaiti hard bargaining for every advantage as if this was a souk would lead to lasting hard feelings on the part of average Iraqis, and lasting damage to bilateral relations.

¶7. (C) Action Requested: Jabr views Kuwaitis favorably from his days in opposition when, he said, they gave him great support. As a result, he believes he has a special relationship with the GOK. This dispute threatens that, and risks increasing bitterness among Iraqis toward Kuwaitis, which is not in anyone's interest. Jabr was clear that he would not go to the COR with a supplemental request that will fail. We suggest that we urge the Kuwaitis to stick to the original \$500 million amount and accept payment via Iraq's 2009 budget -- and do so before the PM's visit to the U.S.

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